

Normative Transformation in the Turkish Tax Regime: An Analysis of the Current Tax Reform as a Non-Dom-Like Incentive Regime

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Abstract

This study examines the recent tax reform adopted in Turkish tax law within the framework of a normative transformation occurring in the residence-based full tax liability regime. The main focus of the study is the provision that exempts the foreign-source income of individuals deemed resident in Türkiye from income tax for a period of twenty years, as well as the preferential taxation approach introduced in inheritance and gift taxation. The aim of the study is to determine the place of this regulation within the residence-based taxation system that forms the foundation of the Turkish tax system, to evaluate the reasons behind its introduction, and to analyze its possible effects on the tax system. In this context, the study examines the extent to which the long-term exclusion of foreign-source income from taxation within a system that maintains residence-based full tax liability creates a transformation in terms of the fundamental principles of tax law, and also evaluates the underlying rationale and possible consequences of the reform. A qualitative research method is adopted, and the relevant legislative provisions, explanatory memoranda, and secondary sources are analyzed using document analysis. The findings indicate that the main purpose of the regulation is to increase Türkiye's investment-attraction capacity, encourage international capital inflows, increase foreign currency inflows, and support economic growth. In this respect, although the regulation differs legally from classical domicile-based (non-dom) regimes, it produces similar economic effects in terms of the non-taxation of foreign-source income. The study also discusses the potential implications of the regulation on tax equity, the principle of horizontal equality, the protection of the tax base, and increased reliance on indirect taxation. In conclusion, the study argues that the long-term tax exemption of foreign-source income signifies an important normative transformation in the Turkish tax system's residence-based full tax liability approach.

Keywords: Turkish tax reform, non-dom tax regime, tax incentives, residence-based taxation

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